
UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION

DIVISION OF MARKETING AND MARKETING AGREEMENTS

INFORMATION ON PROPOSED POTATO MARKETING AGREEMENT PROGRAM FOR THE STATE OF LOUISIANA AND CERTAIN DESIGNATED COUNTIES IN THE STATES OF ALABAMA, ARKANSAS, CALIFORNIA, FLORIDA, GEORGIA, MARYLAND, MISSISSIPPI, NORTH CAROLINA, OKLAHOMA, SOUTH CAROLINA, TEXAS, AND VIRGINIA

(Prepared for use in meetings of growers to be held previous to referendum on proposed marketing agreement regulating the handling of potatoes in interstate shipment from specified States)

Early potato prices this year are lower than in 1937, and the outlook for intermediate potatoes is not promising. Growers want to know why this is so and what they can do about it *now*.

The price of early potatoes is low for three principal reasons. These are:

(1) This year's acreage of early and intermediate commercial potatoes, although slightly below that of 1937, is well above normal and with average yields will produce a greater-than-average crop. It is estimated that old and new potatoes combined will make available one-fifth more potatoes during the first half of 1938 than in the similar period of last year.

(2) Although supplies from the 1937 crop have been greatly reduced by the marketing agreement, diversion, and Federal purchase programs, the carry-over from that crop, which was one of the largest on record, is still unusually heavy.

(3) There has been a drastic decline in consumer purchasing power as a result of the sharp increase in industrial unemployment. The income of industrial workers in February was only 69 percent that of the base period 1924-29, compared with 95 percent in August 1937.

MARKETING PROGRAMS HELP GROWERS AND CONSUMERS

When the large crop of late potatoes last year threatened ruin to growers, commercial producers in eight North Central and Western States took advantage of the opportunity offered to them to solve their problem through the Agricultural Marketing Agreement Act of 1937. At the request of growers, therefore, marketing orders went into effect in the three areas into which those States were divided.

The marketing programs prevented the interstate movement of large quantities of low-grade potatoes, thus promoting more orderly marketing of the better grades. This helped to hold prices at higher levels than might otherwise have been the case. There were no re-

strictions on marketings of the better grades, and carlot shipments of such potatoes this year have been unusually heavy. Unlike past large crop years when growers had a tendency to hold back their better grades and to get rid of the poorer ones first, during the 1937-38 season those operating under the marketing programs withheld a large portion of the poorer potatoes and marketed increased quantities of higher grades. This situation coupled with the program's compulsory Federal-State inspection, which placed all growers on the same basis, resulted in an improved and more uniform pack. The better pack not only helped to win consumer approval, but lessened the opportunity for severe and harmful price fluctuations. As a matter of fact, central-market potato prices last winter were remarkably stable.

OTHER MEASURES TO AID POTATO PRODUCERS

The Federal Government and the potato industry have also taken several other steps to help potato prices generally. These are: (1) Under the 1938 agricultural conservation program cooperating commercial potato producers adopted potato-acreage goals which are large enough to produce all the potatoes required by consumers at fair prices, but which will tend to prevent unneeded surpluses; (2) the Federal Surplus Commodities Corporation purchased (as of April 1) 4,956,500 bushels of potatoes for relief distribution; (3) more than 314,950 bushels of U. S. No. 2 or better grade were diverted (as of April 1) to potato starch and flour for relief distribution; (4) under another diversion program, 1,280,930 bushels of potatoes were diverted (as of April 1) to starch and flour for sale in commercial markets, through a payment of 24 cents per hundred pounds to producers plus the market price paid by manufacturers; (5) a third diversion program has been launched to divert U. S. No. 2 or better grade potatoes to livestock feed (with allotments totaling nearly 10,000,000 bushels and 5,361,330 bushels certified to April 1).

The Federal purchase and diversion programs have supported 1938 potato prices by reducing the merchantable stocks of old potatoes. They have also helped to increase total farm income from potatoes by providing additional outlets for potatoes which in past large crop years farmers have frequently been forced to let rot in the ground. However, while such measures contribute towards relieving the pressure on prices where such pressure is particularly heavy, the limited funds available for these purposes, as well as other factors, prevent the surplus-production problem from being solved in this manner alone. Early and intermediate potato growers, like producers in other areas, must work together and assume major responsibility for the solution of their problem.

MARKETING PROGRAM PROPOSED FOR EARLY AND INTERMEDIATE POTATOES

Representatives of early and intermediate potato growers have requested for their areas a marketing agreement and order program similar to those adopted in the North Central and Western States. They feel that unless some program is adopted prices of early potatoes will decline more drastically than normal, and that the proposed

program might lessen the price decline of these potatoes and stabilize intermediate potato prices at higher levels than seem likely to prevail otherwise. Information which would aid these growers in deciding whether or not to follow the example of potato producers in the other regions is given below in the form of questions and answers:

1. What is the purpose of the marketing agreement program which is proposed for the early and intermediate potato industry?

It aims to provide the means by which growers and handlers can improve marketing conditions and returns to growers over a long period of time, and especially during seasons of surplus production and unfavorable market prospects, such as the 1937 and 1938 seasons. It would enable the industry to prevent the shipment of poorer grades and smaller sizes of potatoes. This would be accomplished by restricting shipments of potatoes to the better grades and larger sizes, in order to improve prices for potatoes which are shipped to market.

2. Does the marketing agreement program provide for marketing quotas or quantity limitations of shipments?

No; the proposed marketing agreement does not provide for the prorating of shipments, or for shipping holidays, or marketing quotas.

3. How is this program made possible?

Through a marketing agreement and an order developed under the provisions of the Agricultural Marketing Agreement Act of 1937.

4. What is a marketing agreement?

A marketing agreement is a voluntary agreement between the Secretary of Agriculture and the signing handlers.

5. What is an order?

An order is a regulation issued by the Secretary of Agriculture for the purpose of making the provisions of a marketing agreement binding on all handlers. Before an order can be issued, the Secretary of Agriculture must determine that its issuance is favored by at least two-thirds of the producers, or by producers of two-thirds of the potatoes, who vote by ballot in the referendum.

6. Why should the proposed marketing agreement program for the early and intermediate States be made operative for the 1938 season?

Indications are for larger potato supplies during the 1938 early and intermediate marketing season than were available for the comparable period in 1937. Consumer purchasing power has declined drastically because of increased industrial unemployment. These factors make the market prospect for early and intermediate States for the 1938 season unfavorable.

7. Is the program limited to the 1938 season?

No; it is a continuous program which can be made operative in any season in which the industry wishes to meet unfavorable market conditions.

8. What is the advantage of a continuous program over separate programs developed for each season?

Such a program makes it possible to meet unfavorable market situations as they develop. This could not be done if a new program had to be undertaken after such market situations had arisen.

9. Would the marketing agreement program operate during years of small crops and high prices?

The program could be made operative in any season during which potato prices are below "parity." However, because of the flexibility permitted under the program, restrictions on grades or sizes could be so adjusted to the size of the crop that in years of medium or small crops fewer potatoes would be kept off the market than in years of large crops. In years of extremely short crops when prices exceed "parity" all limitations under the program would be entirely suspended.

If prices to growers do not exceed "parity" the program could be made operative in any season when desired by the industry.

10. What are the prospects for early commercial potato prices in 1938 if nothing is done to improve conditions?

The normal seasonal trend of early commercial potato prices is downward. In view of the prospective supply and demand for potatoes during the 1938 season, prices probably will be on a level at least as low as 1937 prices.

11. What are the late potato States doing about this problem?

The late surplus potato States have proposed and are considering a marketing agreement program for the 1938-39 season similar to the program proposed for the early and intermediate States. Eight major late producing States have been operating under a marketing agreement program during the 1937-38 season.

12. What are the main provisions of the proposed marketing agreement program?

The main provisions of the agreement are (1) the prohibition of the shipment of cull potatoes, and (2) upon the recommendation of an area committee, the limitation of shipments of certain other low grades or small sizes of potatoes. The program provides, therefore, for inspection by the Federal State Inspection Service of all out-of-State shipments of potatoes.

13. What are the cull potato regulations?

No handler may ship in interstate commerce any lot of potatoes which does not at least meet the requirements of the U. S. No. 2

grade as defined in the Official Standard for Potatoes issued by United States Department of Agriculture, effective September 15, 1936, except that a mixture of varieties is permitted, and except that the size shall not be less than $1\frac{1}{2}$ inches in diameter with a standard tolerance of 5 percent by weight. Upon the recommendation of the Early Potato Committee this regulation may be modified during any season for any or all areas set up under the proposed program.

14. How flexible are the regulatory provisions of the proposed marketing agreement program?

Upon the recommendation of an area committee different regulations may be made effective for any producing district within the area in order to assure producers equitable treatment under the program.

15. What is the usual effect of the unlimited shipment of cull potatoes?

Cull potatoes on the market tend to lower the price for better grades of potatoes since they affect the price of all potatoes. Shipments of cull potatoes tend to lower prices by increasing the volume and lowering the average quality of potatoes at terminal markets. The sale of inferior potatoes tends to discredit the reputation of all potatoes shipped from a State.

16. May cull potatoes be sold locally?

Yes; they may be sold within the State in which they are grown unless such sales are prohibited by State authority.

17. What exemptions are provided for in the agreement and order?

Potatoes shipped for consumption to charitable and relief agencies or for manufacture into starch, alcohol, flour, or other products, or for livestock feed may be exempted from the regulations under the agreement and order. Special exemptions may be given to individual producers in the event a limitation on the shipment of potatoes grading U. S. No. 2 or better is made effective. Such exemptions would permit a producer whose potatoes were of a quality below the average for his area or district to ship a percentage of his potatoes grading U. S. No. 2 or better equal to the percentage of such potatoes which may be shipped from his area or district. These special exemptions, however, would not permit the shipment of cull potatoes.

18. How is the program to be administered?

By district and area committees and by an early potato committee composed of growers and handlers.

19. What is the function of the district committees?

To make recommendations to their respective area committees and otherwise assist the area committees in the operation of the program in their districts.

20. What is the function of the area committees?

The area committees assume primary responsibility for the operation of the program in their respective areas. These committees (1) make recommendations to the Secretary for the limitation of shipments, (2) collect and disburse all funds, (3) employ managers and other necessary personnel, (4) establish an office in each area where all records will be kept, and (5) supervise compliance with the program.

21. What is the function of the Early Potato Committee?

This Committee is primarily an advisory body facilitating the coordination of the activities in the various areas. It may make recommendations concerning the suspension or modification of the cull regulation and concerning the date on which the program may become operative for any season.

22. How would administration expenses be paid?

Through assessments against handlers. In no case can the assessment against handlers during any one season exceed \$1 per railroad car or truck of potatoes or railroad car equivalent of potatoes shipped by boat. This limitation of assessment is provided for in the agreement.

23. How would the order containing the provisions of the agreement be enforced?

An order, when issued, has the force and effect of a Federal law, and violations constitute an offense which can be prosecuted through the United States district courts.

24. Will producers have an opportunity to indicate whether they want the potato marketing agreement program?

Yes; all producers will be given an opportunity to vote by ballot in a referendum. In this referendum producers will indicate whether they favor the issuance of an order which would make the provisions of the proposed potato agreement applicable to all shippers.

25. How will the balloting be conducted?

Potato producers may obtain ballots and vote either at meetings which will be held for that purpose or at polling places to be announced. The offices of the county agricultural agents or of the county agricultural conservation committee are the polling places usually chosen.

26. Who is eligible to vote?

All producers of potatoes for sale.



